BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
ADJUDICATION ORDER NO.: Order/AP/AS/2021-22/15783

UNDER SECTION 15- I (2) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH RULE 5 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 1995

In respect of –

Late Smt. Chima Devi Bafna (PAN: ADGPB6856L) having address at Gandhi Chowk Gandhi Chowk, Gangashahar, Bikaner, Rajasthan -334401

In the matter of trading in Illiquid Stock Options on BSE Limited

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BACKGROUND

1. The Securities and Exchange Board of India (hereinafter, referred to as **"SEBI")** observed large scale reversal of trades in stock options segment of BSE Limited (hereinafter, referred to as "BSE"). SEBI observed that such large scale reversal of trades in stock options lead to creation of artificial volume at BSE. In view of the same, SEBI conducted an investigation into the trading activities of certain entities in illiquid stock options at BSE for the period April 1, 2014 to September 30, 2015 (hereinafter, referred to as **"Investigation Period")**

2. Pursuant to investigation, it was observed that a total of 2,91,744 trades comprising substantial 81.41% of all the trades executed in Stock Options segment by various clients/entities at BSE during the investigation period were trades which involved reversal of buy and sell positions by the clients and counterparties in a contract on the same day. The reversal trades involved

squaring off transactions, but with significant difference in the sell value and buy value of the transactions. The aforesaid reversal trades allegedly resulted into generation of artificial volumes in the Stock Options Segment at BSE. In view of the large scale reversal of trades that were observed in the illiquid Stock Options segment at BSE, it is alleged that these trades were non-genuine in nature and have resulted in the creation of artificial volumes in the stock options segment at BSE.

3. It was observed that late Smt. **Chima Devi Bafna** [PAN: ADGPB6856L] (hereinafter, referred to as **"Noticee")** was one of the various entities who had indulged in execution of reversal trade in stock options segment of BSE during the investigation period. It was observed that the Noticee had entered into reversal trades with her counterparty which involved squaring off transaction with significant difference in sell value and buy value of the transaction. Therefore, it is alleged that the Noticee had executed the reversal trades which were non-genuine in nature and has created false or misleading appearance of trading in terms of creation of artificial volume in the Stock Options segment at BSE. In view of same, it is alleged that the Noticee has violated the provisions of Regulations 3(a),(b),(c),(d),4(1) and 4(2)(a) SEBI (Prohibition of Fraudulent and Unfair Trading Practices related to Securities Markets) Regulations, 2003 (hereinafter, referred to as **"PFUTP Regulations, 2003").**

APPOINTMENT OF ADJUDICATING OFFICER

4. SEBI, after being satisfied that there are sufficient grounds to inquire into the affairs and adjudicate upon the alleged violations as mentioned above, inter-alia, in respect of the Noticee, initiated adjudication proceedings and appointed the undersigned as Adjudicating Officer (hereinafter, referred to as, "AO") under Section 19 read with Section 15-I of the SEBI Act, 1992 (hereinafter, referred to as **"SEBI Act")** read with Rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter, referred to as the **"Adjudication Rules")** vide order dated July 02, 2021, to inquire into, and

adjudge under section 15 HA of the SEBI Act, the alleged violations of the aforesaid provisions of the PFUTP Regulations, 2003, by the Noticee. The appointment of the AO in the instant matter was communicated vide order dated July 06, 2021.

SHOW CAUSE NOTICE, REPLY AND HEARING

5. A Show Cause Notice (hereinafter referred to as **"SCN")** bearing reference number SEBI/ERO/AP/AS/P/OW/2021/21634/1 dated August 31, 2021 was issued to the Noticee in terms of Rule 4 (1) of the Adjudication Rules, to show cause as to why an inquiry should not be held and penalty not be imposed against the Noticee under section 15 HA of the SEBI Act, for the alleged violation of PFUTP Regulations, 2003.

6. The SCN issued to the Noticee, *inter-alia,* mentioned / alleged the following:

   "…………………………

   5. The Noticee was one of the entities which indulged in reversal trades which allegedly created false and misleading appearance of trading, generating artificial volumes in the Stock Options Segment of BSE during the Investigation Period. The Noticee is alleged to have engaged in 1 such reversal trade in 1 unique contract, which led to generation of alleged artificial volume of 1,00,000 units. These trades of Noticee involved reversal with the same counterparty on the same day, but at different prices.

   6. The trade entered by the Noticee were reversed on the same day with same counterparties at a substantial price difference without any basis for significant change in the contract price which indicates that these trades are artificial and are non-genuine in nature.

   7. A summary of dealings of Noticee in 1 Stock Option contract in which the said Noticee allegedly executed non genuine reversal trades during the Investigation Period, is as follow:-

S. No.	Contract Name	Avg. Buy Rate (Rs.)	Total Buy Volume (no. of units)	Avg. Sell Rate (Rs.)	Total Sell Volume (no. of units)	% of Artificial Volume generated by Noticee in the contract to Noticee's Total Volume in the Contract	% of Artificial Volume generated by Noticee in the contract to Total Volume in the Contract
1.	ONGC15MAR310.00CEW3	2.35	50,000	8.50	50,000	100%	34.25%

8. The abovementioned reversal trades and volumes are illustrated through the dealings of Noticee in one contract viz, "ONGC15MAR310.00CEW3" during the investigation period and is as follows:-

(a) *During the investigation period, 2 trades for 1,00,000 units were executed by the Noticee in the said contract on 16/03/2015.*

(b) *While dealing in the said contract on 16/03/2015, the Noticee, at 12:29:03.196208 hours entered into a sell trade with Nirmala Devi Saraf for 50,000 units at Rs. 8.50 per unit. At 12:57:56.880842 hours the Noticee entered into a buy trade with the same counterparty, for 50,000 units at Rs.2.35 per unit.*

(c) *The Noticee's two trades while dealing in the aforesaid contract during the investigation period allegedly generated artificial volume of 1,00,,000 units, which made up 34.25% of total market volume in the said contract during this period.*

7. In view of the foregoing, it is alleged that Noticee, *by indulging in execution of non-genuine reversal of trades in Stock Options with same entities on the same day, created false and misleading appearance of trading in stock options and therefore allegedly violated Regulation 3(a),(b),(c),(d), 4(1), 4(2)(a) of PFUTP Regulations, 2003.*

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7. The aforesaid SCN was issued through Speed Post Acknowledgement Due (hereinafter referred to as **"SPAD")** to the Noticee and the same was duly served upon.

CONSIDERATION OF ISSUES AND FINDINGS

8. Vide letter dated December 14, 2021, Shri Jatanlal Bafna, son of Late Smt. Chima Devi submitted a reply to SCN dated August 31, 2021. Vide said letter, Shri Jatanlal Bafna submitted a copy of death certificate of late Smt. Chima Devi Bafna issued by the Government of Rajasthan, Directorate of

Economics & Statistics having registration no. 081010010000000103133/2017 dated December 18, 2017 with the date of registration being December 15, 2017. It is observed that the address given in the SCN corresponds to the address of the deceased at the time of death as recorded in the death certificate.

9. In view of the above, the proceedings are against the acts of omission and commission of a person who is no more to face the charges. In this regard, it is worth mentioning that in Girijanandini vs Bijendra Narain (AIR 1967 SC 2110), the Hon'ble Supreme Court held that in case of personal actions, i.e., the actions where the relief sought is personal to the deceased, the right to sue will not survive to or against the representatives and in such cases the maxim *actio personalis moritur cum persona* (personal action dies with the death of the person) would apply.

10. In this regard, it is relevant to note that section 15-I (1) of the Securities and Exchange Board of India Act, 1992 states as under: “For the purpose of adjudging under sections 15A, 15B, 15C, 15D, 15E, 15EA, 15EB, 15F, 15G, 15H, 15HA and 15HB, the Board may appoint any officer not below the rank of a Division Chief to be an adjudicating officer for holding an inquiry in the prescribed manner after giving any person concerned a reasonable opportunity of being heard for the purpose of imposing any penalty”

11. In the matter under consideration, the Noticee expired before the issuance of SCN and therefore, an opportunity of personal hearing cannot be provided to the person concerned. Since the Noticee is non-est and opportunity of being heard could not be provided for the purpose of imposing penalty, I am of the view that the adjudication proceedings initiated against the Noticee do not survive.

12. In view of the foregoing, I am of the view that the instant adjudication proceedings against the Noticee are liable to be abated without going into the merits of the case qua her. Consequently, no penalty is imposed on the Noticee who is deceased and the Adjudication Proceedings against the Noticee

stands abated. Therefore, the SCN bearing reference number SEBI/ERO/AP/AS/P/OW/2021/21634/1dated August 31, 2021 issued against her is disposed of accordingly.

13. In terms of rule 6 of the Adjudication Rules, 1995, copy of this order is sent to the Noticee's last known address, son of late Smt. Chima Devi Bafna and also to SEBI.

DATE: March 31, 2022 **ATANU PAN**

PLACE: MUMBAI **ADJUDICATING OFFICER**